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ONTARIO ECONOMIC COUNCIL

ANNUAL REPORT
1974-1975



Ontario

Ontario, Economic Council

ANNUAL REPORT

1974-1975



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March 31, 1975

The Honourable W. Darcy McKeough,
Treasurer of Ontario and
Minister of Economics and
Intergovernmental Affairs,
The Frost Building South,
Queen's Park,
Toronto, Ontario.

Dear Sir:

I have the honour to transmit herewith my annual statement on the activities of the Ontario Economic Council for the fiscal year ending March 31, 1975.

Sincerely,

A handwritten signature in dark ink, appearing to read "G. L. Reuber." with a stylized flourish at the end.

G. L. Reuber
Chairman

THE ONTARIO ECONOMIC COUNCIL

Report of the Chairman—1974/75

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The Annual Report of the Chairman of the Ontario Economic Council has been prepared to acquaint members of the Legislature and the general public with the Council and its ongoing activities. This is the first such Report submitted by the present Chairman. It is intended to issue similar Reports in future, summarizing Council activities during each fiscal year.

THE EVOLUTION OF THE ONTARIO ECONOMIC COUNCIL

The most striking feature of public affairs during the past two decades has been the rapid growth in the size and complexity of government. Since 1950 total expenditure by all levels of government in Canada, expressed as a percentage of gross national expenditure, has increased from 22 to just under 40 per cent. This has been accompanied by an equally large qualitative change extending into every area of the community. Many more choices, that in an earlier age were left to the individual and the market place, now have to be resolved explicitly within a political framework.

A concurrent development—partly a cause and partly an effect of the vastly enlarged role of government—has been the substantial advance in knowledge and technique in the social sciences, broadly defined, and the large increase in the number of professionally trained social scientists. This increase and improvement in the stock of intellectual capital has exceeded by a considerable margin the increase in the stock of physical capital in this country. The repercussions have been wide-spread throughout both the private and public sectors.

Institutions such as the Ontario Economic Council may be seen as attempts by society to establish more effective machinery to apply our greatly improved and growing stock of intellectual capital to the large and ever-growing demands of public policy. The development of such institutions started later in Canada than in other industrialized countries and has proceeded more slowly. However, in one form or another such institutions are here to stay and can be expected to grow as society becomes richer, as the demand for public policy analysis grows and as the supply of intellectual capital expands.

Origins of the Council

The Ontario Economic Council was first established by Order-in-Council on February 1, 1962. Its creation reflected the general concern throughout the country at that time with our long-term economic prospects—best exemplified, perhaps, by the Royal Commission on Canada's Economic Prospects (Gordon Commission) which submitted its Report in 1957.

When the Council was formed, it was conceived principally as a body which would investigate and report on problems related to achieving a high level of industrial growth and employment for the Province. The primary emphasis was on economic development: indeed, there was some suggestion that the new body might be named the Ontario Productivity Council or the Ontario Economic Development Council. This orientation is reflected in its early reports which dealt with such matters as manufacturing opportunities and potentials for productivity improvement in various industries, labour training and immigration, taxation, and rural and urban development.

From the outset the membership, initially totaling 16, consisted of representatives from various sectors of society. Reflecting the thrust of the Council in its early days were its standing committees which included industrial research, industrial development, northern development, agriculture and tourism. Throughout its early years the Council kept a very low profile. This was done deliberately in the hope of gaining maximum co-operation from government ministries. The rationale was that it would be better to report

directly to the appropriate ministry and let government act on findings and take the subsequent credit, rather than have the Council assume the position of a public advisor and critic. An off-shoot of this philosophy was that at no time did the Council issue an annual report. Throughout this period the Council seldom, if ever, took the initiative publicly.

The present role of the Council began to evolve slowly in 1967-68 when questions were raised regarding the Council's involvement in immigration and its implications for Ontario, inasmuch as the Council had no Statutory basis. This query prompted serious rethinking of the Council's formal position and future role and resulted in the Ontario Economic Council Act (see Page 19) being enacted on May 30, 1968.

With the new and very broad terms of reference that had been given under the Act, the Council had reached the position by mid-1970 where it was concerned with the priorities and goals of the Province. These concerns culminated in embarking on a goals-development programme which was the main emphasis of the Council's work until late 1973.

Restructuring and Reorganization, 1973

By the fall of 1973, the Council's Provincial goals programme was virtually completed, the terms of its members had expired and the Chairman's position was vacant. This combination of circumstances precipitated a careful review of the Council's future, including the possibility of closing it down. The result was a major reshaping of the Council, intended, in the Premier's words, "to assure it a place among the leading research institutes across the country whose primary concern is the development of public policy."

Seventeen new Council members, including the Chairman, were appointed and four members of the previous Council were re-appointed. Together they represent labour, business, the academic community and the general public. The Council's reporting relationship with the Legislature and its administrative arrangements for housekeeping purposes were also transferred from the Ministry of Industry and Tourism to Treasury, Economics and Intergovernmental Affairs.

In announcing the new appointments the Premier stated that "the need for such an agency is increasing for a variety of reasons. Among them are the growing complexity of our society, the extensive involvement of all three levels of government—federal, provincial and municipal—in economic affairs, the desire and need for a well-informed public, and the growing necessity to identify emerging issues before they become pressing problems and to evaluate policy options before they are overtaken by events. It is my goal to have the Council play a key role in the formation of public policy in this Province. In the main, that role will take the form of helping focus the attention of policy-makers on new and emerging socio-economic issues as well as expanding the range of approaches for handling existing issues".

An essential feature of the Ontario Economic Council is its independence of government. The government's direct influence is limited to the periodic appointment of Council members, and the annual provision of funds. The topics chosen for examination, the personnel doing research and the promulgation of findings and recommendations are

all decided upon by the Council without any reference to the government of the day. Even more important, the Premier and members of the government, members of the Council (both past and present) and members of the staff are all fully in agreement that the Council must not only be highly independent but also must be perceived as being an independent agency by both the government and the public if it is to fulfill its role satisfactorily. Again to quote the Premier's words: "At this time, more than ever, we need in this Province a strong independent advisory organization concentrating on socio-economic issues".

Programme of Activities

As indicated earlier, the terms of reference of the Ontario Economic Council, as expressed in the Act, are very broad indeed: it is authorized to focus upon virtually any aspect of public policy. It may discharge its obligations in an equally broad and unspecified manner: by directly advising the Premier, individual Ministers and the Cabinet; by undertaking the publishing research studies; and through a programme of public education.

In the case of research, a two-pronged approach has been followed. An initial series of shorter-term studies was commissioned early in 1974. Some of these are intended to survey particular issues; others are more specific and analytical. In all cases the purpose is: (i) to provide studies that can stand on their own as useful contributions, and (ii) to point up issues that the Council considers to be important for further research.

Secondly, a longer-term research strategy has been developed which will concentrate the limited resources available on a few of the many areas calling for attention. This strategy gives primacy to the general area of public expenditures. Work in this area is expected to absorb well over half of the Council's resources during the next few years. The programme will focus on the size and growth of public expenditures, on questions of the efficiency of government programming and on the distribution of personal income.

A further long-term concern of the Council is to assist in the development of more and better information in selected areas for purposes of policy analysis. There is also the issue of how to provide freer access to existing data, recognizing that much of the data required for policy analysis is collected by government departments and agencies. A start has been made in this direction by organizing a three-man Task Force to review the availability of meaningful information on local and regional government and how the supply of such information might be improved.

Finally, the Council is still in the process of developing its programme to promote improved public information and education. As a first step, in November it sponsored a one-day conference at Toronto on the economic outlook for 1975 in Ontario and in Canada. Other plans for conferences, seminars, and so forth, are being reviewed. Ways and means are also being sought to decentralize the Council's activities throughout the Province, particularly in the field of public information and education.

The Council contemplates two types of publications. One category will be comprised of research studies, of professional calibre, published under the author's name. Although bearing the Council's imprimatur, the Council will not assume responsibility for the accuracy of the data and the analysis nor for the conclusions and policy judgments expressed.

The second category of publications will include policy statements by the Council,

an annual report and any other documents that the Council from time to time may decide to publish. No attempt will be made to publish an annual review such as that published by the Economic Council of Canada. Rather, when the Council wishes to express its views on some issue, it will issue a relatively brief policy statement written in non-technical language and addressed to the general public.

Why Have a Council?

Having reviewed the background, activities and plans of the Council, one question remains: Why have a Council at all? Why not rely on government departments, universities, and existing private and semi-private agencies to perform the functions of the Council? In what ways is the Ontario Economic Council better suited to discharge these functions than these other institutions?

By comparison, first, to a government ministry, some of the advantages which the Council affords are fairly evident. For one thing, it is often able to take a longer-term and more comprehensive view of policy in various fields, unencumbered by short-term exigencies, the political pressures of the moment, and the confines of ministerial interests and jurisdictional concerns. In addition, the Council's independence permits it to pursue those topics that it feels are important. The Council thus provides the possibility of placing before the public views on policy questions as alternatives to those emanating from the government and its opposition. A third major advantage is that the Council and its staff are not and should never be a part of the government structure which can be cumbersome and open to special pressures. The Council provides an opportunity to avoid these disadvantages in some degree and to call a spade a spade. Finally, because of its independent status, the Council can undertake activities that a government might find awkward. Related to this, the Council is well placed to develop close and productive relationships with similar institutions in the country, various political groups, and representatives of other sectors of the community.

Most universities have given much more attention to public policy questions in recent years. For the most part, however, these efforts remain scattered and discontinuous. Groups within universities are hampered by the constraints that go with mounting research that crosses disciplinary lines, that depends upon directed inquiry and that is oriented to illuminating current policy issues, rather than training and individual scholarship. At the same time, the universities of Ontario and elsewhere provide one of the major sources of intellectual capital in the country. A central feature of the Council's plans is to provide effective arrangements whereby this resource can be more expeditiously brought into play in the analysis of public policy.

The privately-funded groups in the Province fall into three categories. Those that operate within large business enterprises are obviously directed to the advancement of these enterprises. The resources of private consulting firms are available for policy analysis but can only be marshalled in response to requests to undertake work on specific questions. The Council has employed such firms in the past and intends to do so in future; but there still remains the need for a Council to identify issues and initiate and organize the process of exploring them. Apart from a few specialized Canada-wide groups, such as the Canadian Tax Foundation, there are practically no privately-funded agencies concerned with the analysis of public policy as it impinges upon Ontario residents.

Indeed, the Ontario Economic Council may at present be the only agency in Ontario, public or private, that performs this function.

There are also additional reasons for having such an agency in Ontario, rather than relying upon the work done in Ottawa, Montreal, and elsewhere. First, given the size and importance of Ontario within Canada and the regional character of the country, policy analysis from an Ontario perspective is important from the standpoint of the Province, as well as the country. This in no way implies that the Council's work will be narrowly focussed upon Ontario as distinct from Canada as a whole, nor that the Council sees its function as the promotion of Ontario's interest at the expense of the rest of Canada. Secondly, in a federally-constituted country, it is important that policy analysis be conducted by provincially-sponsored agencies as well as by federally-supported agencies. It is noteworthy that somewhat similar agencies now exist in most provinces. Finally, the location of the Ontario Economic Council makes it feasible to bring the concentrated pool of talent available in Ontario into play on policy issues.

Summing up, one may say that the Ontario Economic Council has recently entered a third phase of its development. At this stage, it offers mainly plans and promise which will take some years to materialize. Only time will tell whether its plans and promise are matched by performance. Nevertheless, as matters stand there is good reason to believe that it can develop into a major public policy institute in this country, capable of making substantial contributions to the improvement of difficult social choices at all levels of government.

THE RESEARCH PROGRAMME

General Approach

In the years immediately following World War II, the expansion of government spending was viewed in terms of economic growth and improved economic stability. The spending of an enlarged public sector constituted the principal weapon in the struggle to achieve high and stable employment, and income. Family allowances and old age security, for example, were as much justified in these terms as by reason of their income distributional effects. In the last ten or fifteen years, however, the attention of government has increasingly shifted away from the stabilizing properties of government expenditure and toward their income distributional effect, whether in money or in kind.

An important first task of our research programme is to articulate the issues that arise in the public expenditure field more precisely and to organize empirical research to illuminate them more clearly. One aspect of this will be the assembly of information concerning the distribution of personal income in Ontario and the impact which all three levels of government have upon it. Another aspect will be the examination of the dynamics of government decision-making and how these may have both contributed to the high growth of the public sector and the retention of outmoded and inefficient programmes. Still another is the attitude of the taxpayer-citizen to the final products provided through public sector activities. In addition to more general studies of this kind, detailed studies of particular expenditure programmes will also be undertaken. The basic aim of such specific studies will be two-fold: (i) to provide factual information on how existing programmes function and what effect they have, and (ii) to seek alternatives that may improve upon existing programmes. Particular attention will be given to expenditures in the social policy field (i.e., health, urban affairs, manpower and education, social services and transfers) which at present constitute about two-thirds of the Provincial Budget and have grown by more than one-third in three years.

Supplementing its work on public expenditures, other focal points in the Council's research plan are two general issues: national independence and the development of Northern Ontario. The former has commanded considerable public attention in recent years, as indicated for example by the recent work by the Select Committee on Economic and Cultural Nationalism of the Ontario Legislature. The latter has been a perceived problem of long standing.

The Council, with the help of its Committees and outside experts, has identified a series of topics in each of six major areas for particular attention in its research activities. These topics are listed here in the hope of gaining the benefit of public reactions to this list and also of stimulating research activity outside the Council on topics that we consider important. Any such list is necessarily both selective and subjective. Other topics were considered and many more might have been added. No doubt views will differ about the relative merits of those topics that have been included and those that have been left out. Moreover, the Council is well aware of the need to keep its research agenda under continuous scrutiny in order to maintain a lively, up-to-date research programme.

The list of topics presented below reflects the two basic themes underlying the Council's research activities: the size, growth and effectiveness of public expenditure programmes; and the distribution of personal income. It is the intention of the Council to pursue as many of these topics as available resources permit, consistent with the priorities established by the Council.

Health

The major public concerns about Ontario's health care system relate to the high and rapidly rising costs of hospital and medical care, the quality of care, and the maldistribution of health care resources, particularly by region. There is also considerable uncertainty about the nature and design of possible future programmes such as "pharmacare" and "denticare". These general concerns have been reflected in the numerous public pronouncements, both Provincially and Federally, by the Ministers of Health and in a recent spate of official and semi-official studies on various aspects of the health care system.

Our review of these numerous reports and studies and of the reasons why many of the recommendations put forward have not been implemented indicates that many of the recommendations are based on insufficient knowledge. A major difficulty has been a lack of satisfactory data bearing on many of the pertinent questions that arise. In addition, despite the large numbers of studies that have been made, some important issues, which have only recently emerged more clearly, have not received much attention. From these many issues, the Council has designated to its research staff the following topics as priority items for study:

1. The problems posed by possible new programmes such as "pharmacare" and "denticare".
2. The implications of the proposed decentralization of the decision-making, administrative and management functions to district and area health councils.
3. How to remove or minimize the disincentives (implicit in our current system of reimbursing hospitals) to adopt cost-saving technologies and methods of delivering hospital care.
4. The benefits and costs of alternative systems of paying physicians.
5. How to evaluate group practice and what data are required to do so.
6. The extent and the effects of the direct billing of patients by physicians in Ontario.
7. The consequences of alternative approaches to limiting the supply of physicians and hospital beds.
8. Tried and tested preventive programmes that could be considered (or not considered) for implementation in Ontario.
9. The income distributional implication of the health care system in Ontario: Who pays? Who benefits?
10. The health services received, at present, by the aged and the potential problems of providing satisfactory health care for the aged in future years.

Urban Affairs

Concern about urbanization has increased greatly in recent years. It is now widely accepted, both within government and without, that a better understanding of urban development is needed in order to maintain and improve the quality of urban life in coming years. It also seems likely that many major government expenditure programmes in this Province, in the foreseeable future, will be directed towards accommodating urban growth and alleviating the problems it poses.

Although no single government agency is responsible for developing and executing

urban policy, a wide range of Provincial activities may be cited to illustrate the central importance of this area at present. In recent years, for instance, many local governments have been extensively restructured. The Province has requested that the provision of financial assistance to urban governments be an agenda item in Federal-Provincial tax negotiations. In 1974-75 the Province will transfer over one billion dollars to local governments for non-educational purposes. 'Adequate housing at affordable prices' has been declared to be 'a basic right of all residents of Ontario'¹ Government interventions in the land and housing markets through land banking, provision of mortgage funds and housing assistance are increasing rapidly. The Province not only finances expenditures on intracity transportation but also has embarked on a programme to develop new transportation technologies. Significant expenditures on pollution abatement are devoted to the construction and operation of urban water and sewage treatment facilities. Numerous programmes designed to improve the urban environment ranging from air pollution monitoring to land use management programmes are being developed. And so forth.

While concern about urban development is widespread and Provincial policies impinge upon this development at many points, it is also evident that our knowledge and information on many of the issues that arise remain highly tentative. Moreover, the subject is so vast that one scarcely knows where to begin in attempting to reduce some of this uncertainty.

In keeping with its primary interest in the effectiveness of government expenditure programmes and the distribution of income, the Council has identified the following topics of immediate interest for further research:

1. The incidence of the Property Tax Stabilization Programme and the Property Tax Credit System.
2. Organization of the set of industries that supply new housing.
3. The social costs and benefits of private speculation in land and housing.
4. The impact on the distribution of income of the major housing-related subsidy programmes operating in Ontario.

Education and Manpower

The major public concerns about education focus upon the high and rapidly growing costs per student and upon the effectiveness of the educational system. At present, educational expenditures amount to 30 per cent of the total Provincial expenditures. Subsidiary to the issue of costs are questions about the effects of formal training on personal income and economic growth and about the income distributional effects of particular methods of financing education. There is also a question whether there has been over-investment in particular types of institutions and in particular types of training.

The primary theme of the many wide-ranging recommendations on the future of post-secondary education in Ontario made by the Commission on Post-Secondary Education in its 1972 report² was the notion of increasing the scope of opportunity for access to higher education. Various recommendations were proposed to this end, including the development of new and different institutions. Although the report was the subject of

1. Housing Ontario/74 An Initial Statement of Policies, Programs and Partnerships, Ministry of Housing, May, 1974.

2. *The Learning Society*. Report of the Commission on Post-Secondary Education in Ontario. Toronto 1972.

much discussion by government, educators, and the public, few of these recommendations have been implemented to date—in part, reflecting doubt and uncertainty about some of the Commission's recommendations.

In the primary and secondary education sectors, much public attention has recently been given to the quality of education. At the same time, parents and students continue to voice a desire to have greater influence on the curriculum and on the teaching process in addition to trying to achieve greater flexibility in the system.

Education and manpower policies are obviously closely interrelated and both are greatly influenced by changing labour market conditions. A widely-shared view at present holds that there is a considerable duplication of manpower programmes at various levels of government, and that these programmes are uncoordinated and often conflicting in their effects. The complexities and difficulties of formulating and executing manpower policies are increased by jurisdictional questions, shared-cost arrangements, and shared responsibilities among different levels of government.

Some of the emerging issues in manpower policy emanate from the growth of government to the status of major employer, the spread of collective bargaining, particularly in the public sector, and impending changes in immigration policy. Because of the complexities of the jurisdictional questions and the Province's predominant position in the national labour market, Ontario has important interest in these issues.

Among the topics identified by the Council for special attention in this area are the following:

1. The supply and demand for places in Ontario universities and colleges to 1985, with an examination of various methods for resolving any supply-demand imbalances.
2. The real and financial effects of alternative policies for financing post-secondary education.
3. The effectiveness of the secondary school system in terms of its ability to provide basic training in numerical and literary skills as preparation for post-secondary education and the labour market.
4. The demand for and supply of manpower in Ontario over the next ten years.
5. The Federal Green Paper on immigration policy with reference to its manpower and social implications for Ontario.
6. The implications of collective bargaining in the non-market sector in Ontario for wage rates, working conditions, and Provincial spending.

Social Services and Transfers

The aim of the studies proposed in this area is to provide a statement on the distribution of income and net assets in Ontario and to examine in detail the nature and effects of policies designed to raise low incomes directly.

The objective of a satisfactory system of income transfers and social services is to guarantee a socially acceptable minimum standard of living to all people while, at the same time, leaving enough incentive to the people to improve their income position through their own efforts to the extent that this is possible. Most income transfer programmes are categorical: i.e., they cover only certain types of poverty such as the aged,

disabled, or mothers raising children alone. One of the most neglected segments of the low income population at present is the working poor. Another unsatisfactory aspect of the present system of income transfers is that many programmes provide little incentive to their recipients to try to improve their position through employment. A third unsatisfactory feature is the unequal treatment of individuals in the same income and wealth brackets. In addition, the evidence available suggests that the system, taken as a whole, may be regressive in its effects.

Among the topics of particular concern to the Council in this area are the following:

1. The income and asset distribution statistics for Ontario and improvements in the reliability of measuring income inequality and poverty.
2. The characteristics of the low income population (to serve as a basis for selecting the most appropriate types of anti-poverty programmes).
3. The present system of income transfers and social services in Ontario, its deficiencies and possible reforms.
4. The feasibility and desirability of providing public employment as an alternative to income transfers, manpower training, and so on.
5. The development of day care centres in Ontario, the anticipated demand for day care during the next ten years and the most appropriate public policy response.

National Independence

The high level of Canada's integration into North America's economic, political, social and cultural life and our perceived lack of "independence" continue to be a concern to a large number of Canadians. As governments, at both the Federal and Provincial level, have responded to this concern, it has become important to have more and better knowledge in order to discriminate more rationally among alternative policy options. Much of the knowledge and information required to clarify the options at present is either scattered and unfocused or does not exist. For instance, we need to know more than we do about the transmission of foreign influences, about the total costs and benefits of policy alternatives and the distribution of these costs and benefits throughout the economy, and about the consequences of alternative policies on the flows of foreign investment, of people, and of social and cultural influences.

Because of the pressure on governments to respond and the large and growing number of studies already available—e.g., the Watkins Report, the Wahn Report, the Gray Report, the reports of the Ontario Select Committee, the Council's work in this area will focus mainly on drawing together, reviewing and supplementing the work that has already been done by others. The general aim of this work will be to highlight the main implications of various policy alternatives, particularly those open to Ontario. It is intended to bring much of this work to fruition in 1975, and early 1976.

Among the many concerns voiced about national independence, particular attention has focussed on questions related to foreign direct investment. One of the difficulties in any analysis of this subject is in identifying which effects are due to foreign investment as such and which arise because of the policy framework within which such investment occurs. For example, it can be argued that some of the alleged effects of foreign investment on the structure of industry are mainly a reflection of Canada's commercial policies

rather than an inherent feature of foreign investment. A second difficulty is in generalizing from experience drawn together from particular industries and circumstances to arrive at sound policies with broad applicability. In addition, one faces the very difficult task of trying to identify and measure the various components of the "package" of inputs and foreign market access that is transferred as an integral part of foreign investment as well as the costs and benefits of gaining access to the same flow of these components by alternative methods. Nonetheless, this is a fundamental issue to be sorted out in any sound evaluation of various policy options.

Among the topics of more immediate interest to the Council in this area are the following:

1. The comparative capital costs of financing the expansion or takeover of Canadian firms domestically rather than with the help of foreign capital.
2. Optimal tax and regulation policies for non-renewable natural resources industries.
3. Transfer pricing and its relevance to Canada.
4. The economics of research and development in the context of foreign ownership and government policies towards research.
5. An inventory of existing laws, regulations, or government practices which protect provincial interests, vis-a-vis policies followed by transnational firms and governments outside of Ontario.

Northern Development

Northern Ontario has special characteristics and problems. While the north represents approximately 90 per cent of Ontario's area, its population accounts for only slightly over 10 per cent of the Provincial total. Economic and social performance is consistently below the Ontario average in terms of virtually every social indicator: income, population growth, employment, housing characteristics, and so forth. There continues to be significant outmigration, particularly in the 25-34 age group and from the smaller towns and communities, including Kenora, Dryden, Sioux Lookout, and Timmins, to name but a few. With the exception of major centres, such as North Bay, Sudbury, Sault Ste. Marie and Thunder Bay, most of the northern communities are resource-based, single-industry communities.

Among the major difficulties encountered in formulating and executing regional economic policy anywhere in the world are the absence of well-defined objectives and a lack of consensus on the extent to which intervention is necessary and desirable. There is also much uncertainty about the most effective means of achieving whatever objectives may be sought. Part of any solution involves migration. Hence the choice of an appropriate policy mix will depend to a considerable degree upon the rate of migration that is seen as politically tolerable¹ and upon migratory responses to changes in economic and other influences prevailing in areas of both outmigration and immigration.

A host of difficult questions arise in devising regional development policies. For example: the cost of market imperfections in order to realize regional growth potentials; the income distributional impacts of alternative strategies; the availability of public goods; the impact of various public policies designed for the country or the Province as a whole on the competitive position of the region; and so on. These and other considera-

1. A. Emmanuel, *Issues of Regional Policies*, O.E.C.D., 1973, p. 23

tions are reflected in the list of topics that the Council feels warrant particular priority.

1. The targets and instruments of regional policies.
2. The role of transportation, its availability and cost in the development of northern Ontario.
3. The impact of government spending and taxation on the economy of northern Ontario.
4. A study or studies of individual industries of importance to northern Ontario.

Council Committees

The research programme is organized under six committees of the Council. This structure makes it feasible for Council members to participate at some depth in the research programme. Each Council member is on one such committee (one of them serving as Chairman) along with a staff member (serving as secretary) and the Research Director and the Council Chairman (who are ex officio members). The six committees are parallel to the six research areas mentioned above. These committees are responsible for advising the full Council on the priorities within their respective areas. Apart from these duties, committee members participate in policy seminars, conferences, and other activities that are aimed at applying the basic knowledge derived from the research programme to public policy issues of current importance. The composition of these committees is as follows:

HEALTH

Dr. E. A. Gullett
Mr. R. G. Hill
Mr. P. Manga (OEC Staff)
Mr. J. T. Pennachetti (Chairman)
Mr. R. B. Taylor

EDUCATION AND MANPOWER

Mr. J. D. Gibson (Chairman)
Mr. H. C. Hatch
Mrs. P. Joyal
Mr. R. McDougall (OEC Staff)

SOCIAL SERVICES AND TRANSFERS

Mr. R. C. Baetz
Mr. C. Kapsalis (OEC Staff)
Miss J. C. McKibbin (Chairman)
Dr. D. C. Smith

URBAN AFFAIRS

Mr. D. B. Archer
Mr. G. Fallis (OEC Staff)
Mr. W. F. McCormick
Mr. W. P. Wilder (Chairman)
Dr. D. M. Winch

NATIONAL INDEPENDENCE

Mr. L. K. Lodge
Mr. J. Pattison (OEC Staff)
Dr. A. E. Safarian (Chairman)
Mr. L. R. Williams

NORTHERN DEVELOPMENT

Mr. I. Butters (OEC Staff)
Mr. C. J. Carter (Chairman)
Mr. E. L. Hollingsworth
Mr. J. A. Stewart

Research Management Teams

While the Council committees provide the necessary interface between the research programme and the full Council, the day-to-day job of mounting and monitoring the research programme falls to research management teams made up of Council staff and external experts. There are six such research management teams corresponding to the six areas of research interest. A link is maintained between the research management teams and the Council committees by the Research Director and the officer in charge of the particular research area. The present composition of these teams is as follows:

HEALTH

Prof. R. Evans (University of British Columbia)
Prof. R. Fraser (Queen's University)
Prof. J. Madden (University of Guelph)
Mr. P. Manga (OEC Staff)

EDUCATION AND MANPOWER

Prof. J. Buttrick (York University)
Prof. D. Dawson (McMaster University)
Prof. N. Meltz (University of Toronto)
Mr. R. McDougall (OEC Staff)

SOCIAL SERVICES AND TRANSFERS

Prof. T. Courchene (University of Western Ontario)
Prof. C. Green (McGill University)
Mr. C. Kapsalis (OEC Staff)
Prof. B. Spencer (McMaster University)

URBAN AFFAIRS

Prof. G. Davies (University of Western Ontario)
Prof. D. Dewees (University of Toronto)
Mr. G. Fallis (OEC Staff)
Prof. G. Pacquet (Carleton University)

NATIONAL INDEPENDENCE

Prof. M. Bucovetsky (University of Toronto)
Prof. D. McFetridge (Carleton University)
Mr. J. Pattison (OEC Staff)
Prof. T. Wilson (University of Toronto)

NORTHERN DEVELOPMENT

Mr. I. Butters (OEC Staff)
Prof. K. Loucks (Laurentian University)
Prof. A. Seuret (Lakehead University)
Prof. R. Woodward (University of Western Ontario)

Research management teams are responsible for the production of draft research agenda, the definition of particular studies, and the identification of researchers qualified to carry out studies. Once a study has been approved by the Council and entered into its research agenda, it is the responsibility of the staff and research management teams to supervise its execution. Some study projects are carried out by staff members, others are commissioned to external researchers. In either case, the management procedures are the same.

Research Publications

Draft reports are evaluated by external readers who recommend upon the desirability of publication within the context of general criteria laid down by the Council. Publication is carried out through an occasional paper series and a monograph series published for the Council by the University of Toronto Press. Apart from these publications, it is possible that technical papers presented at conferences mounted by the Council from time to time may also appear in appropriate volumes. In addition, the Council has established a working paper series for the dissemination of research in progress or other worthwhile papers on a less formal basis.

Research Associates

An important element of the research programme is an effort to provide a facility for established scholars whereby they may devote themselves to the intensive study of some problem of public policy importance for Ontario. To this end the Council has established two research associateships tenable from July of one year to July of the next. For all, or some portion, of this time research associates will work in the Council's offices, with financial support and full access to all Council research facilities, on some agreed study bearing on issues important to the Ontario community. The results of this research will be published in the same manner as the reports emanating from other work.

OTHER ACTIVITIES

Outlook '75 Conference

On November 25, 1974, the Council staged, at the Ontario Science Centre, a one-day conference on the economic outlook in 1975 for Canada and Ontario. The Conference was attended by some 350 senior representatives from business, industry, finance and labour as well as members of the Legislative Assembly.

The morning sessions of the Conference focussed on the outlook for the coming year. It began with a comprehensive assessment by Cyril Hodgins, President, Economic Services of Canada, Limited. In the afternoon, wage and food price prospects were examined by a panel of knowledgeable individuals from industry, labour, agriculture, and the retail food industry. Among the highlights of the Conference were the luncheon address entitled "A Responsible Economic Package", which was presented by Dr. Sidney L. Jones, Counsellor to the U.S. Secretary of the Treasury and formerly on the White House staff, and a paper entitled "The Politics of Inflation", which was presented by Dr. J. J. Deutsch of Queen's University.

It is planned to stage a similar Conference in the fall of 1975.

Task Force on Local and Regional Government Data

Recognizing a need for greater co-ordination of data collected by regional governments in Ontario and that action in this field could be timely, the Council agreed in May, 1974, to set up a Task Force to review the availability of meaningful information on local and regional government activities, on how the supply of such information might be improved, and how the collection of this information might be better co-ordinated.

Members of the Task Force include Professor D. Auld of the University of Guelph (Chairman), Professor G. Hodge of Queen's University, and Professor Gail Cook, formerly of the University of Toronto and now at the C. D. Howe Research Institute.

The Report of the Task Force will be published shortly.

ADMINISTRATION

Under the Ontario Economic Council Act, the Council is obliged to "meet at least five times a year at the discretion of the Chairman". In 1974, in addition to members participating in a number of meetings of Council committees and other activities such as the Outlook '75 Conference, the Council met formally five times at Toronto: January 21, March 12, May 27, September 24, and November 24. In future the Council plans to meet from time to time outside of Toronto.

One of the more significant administrative changes in 1974 was the recent relocation of the Council offices to 81 Wellesley Street East. This long-awaited move has provided the Council with not only the additional office space it needed as a result of its increased activities, but also a location that reflects the Council's autonomous role.

MEMBERS OF THE COUNCIL

Members of the Ontario Economic Council are appointed by the Lieutenant Governor in Council for a period up to three years, renewable.

The present Chairman was appointed by Order-in-Council OC-2611/73 on October 18, 1973, for a period of three years. Later, the other members of the present Council were appointed by Orders-in-Council OC-3134/73, OC-131/74 and OC-194/74.

The following members from the previous Council were reappointed for a period of two years ending December 31, 1975:

Mr. David B. Archer President Ontario Federation of Labour	Mr. Rowland G. Hill Regional Director International Union of Operating Engineers
Mr. J. Douglas Gibson Financial and Economic Consultant and Chairman, The Consumers' Gas Company	Mr. Robert B. Taylor Chairman Ontario Hydro Commission

The following sixteen members were appointed for the first time:

—for a period of two years ending December 19, 1975:

Mr. Reuben C. Baetz Executive Director Canadian Council on Social Development	Mr. E. Lynn Hollingsworth Vice-President Soo Mill and Lumber Company Limited
Mr. Charles J. Carter President Great Lakes Paper Company Limited	Mrs. Pauline Joyal Social Worker Ottawa, Ontario
Mr. William F. McCormick President Glen Highland Holdings Limited	Dr. David M. Winch Chairman Department of Economics McMaster University

—for a period of three years ending December 19, 1976:

Dr. Elizabeth A. Gullett Associate Professor and Acting Chairman Department of Consumer Studies University of Guelph	Dr. A. Edward Safarian Dean School of Graduate Studies University of Toronto
Mr. H. Clifford Hatch President Hiram Walker—Gooderham & Worts Ltd.	Dr. David C. Smith Head Department of Economics Queen's University
Mr. Lorne K. Lodge President and Chief Executive Officer IBM Canada Limited	Mr. John A. Stewart President Stewart Seeds Limited

Miss J. C. McKibbin
Administrative Officer and Actuary
London Life Insurance Company

Mr. John T. Pennachetti
Chairman
General Concrete of Canada Limited

Mr. William P. Wilder
Chairman
Canadian Arctic Gas Study Limited

Mr. Lynn R. Williams
Director, District 6
United Steelworkers of America

The members of the Executive Committee are: G. L. Reuber (Chairman), D. B. Archer, J. D. Gibson, A. E. Safarian, R. B. Taylor, I. Butters, C. J. Hindle.

COUNCIL STAFF

The present management team consists of the Chairman (part-time), the Advisor, D. G. Hartle (part-time), the Research Director, C. J. Hindle (full-time), and the Executive Officer, I. Butters (full-time). Dr. Hartle is a Professor of Economics at the University of Toronto who, until recently, was Deputy Secretary to the Treasury Board in Ottawa. Dr. Hindle joined the Council in June under the Executive Interchange Program of the federal government. Prior to that, he was Director of the Effectiveness Evaluation Division of the Treasury Board Secretariat. Mr. Butters has been with the Council since 1964.

During the past year the following research officers were added to the Council's staff under short-term contractual arrangements of two to three years:

George B. Fallis joined the Council staff on December 16, 1974, coming from the Ministry of State for Urban Affairs. He has been previously employed with the Ford Foundation, Carleton University and Princeton University. Mr. Fallis is completing his Ph.D. for Princeton University. He will work in the area of environment, transportation and urban affairs.

Constantine Kapsalis holds an M.A. and Ph.D. in Economics from the University of Rochester. He joined the Council staff on October 1, 1974. Mr. Kapsalis has been previously employed with Sir George Williams College, Montreal, and the Economic Council of Canada. He will concentrate on the field of social services and transfers.

Ronald N. McDougall joined the Council staff on December 16, 1974, coming from the Council of Ontario Universities where he has been employed as a research associate. He has had other previous employment with the Institute for Quantitative Analysis for Social and Economic Policy, University of Toronto, the Université de Montreal, and the O.E.C.D. in Paris. Mr. McDougall holds an M.A. in Economics from the University of Toronto. He will focus his attention on the fields of education and manpower.

Pranlal Manga joined the Council staff on August 1, 1974, on leave-of-absence for two years from the Effectiveness Evaluation Division, Planning Branch, Treasury Board Secretariat, Ottawa. He has had prior employment with the University of Toronto, McMaster University and the Department of National Health and Welfare in Ottawa. Mr. Manga is completing his Ph.D. at the University of Toronto. He will focus his attention on the health field.

John C. Pattison joined the Council staff on July 1, 1974. Prior to that he was employed in the Economics and Statistics Department of the O.E.C.D. He previously held positions with the University of Western Ontario, the Federal Department of Industry, Trade and Commerce, the Federal Treasury Board and Polymer Corporation. Mr. Pattison holds a Ph.D. from the London School of Economics. He will be concerned mainly with the studies on economic nationalism as well as more general issues such as inflation.

In conclusion, the Council wishes to recognize the contributions made to its work by Dr. W. R. Smithies, Mr. Vernon Lang and Mr. Ian C. Kennedy whose contracts concluded during the year.

An Act to establish the
Ontario Economic Council

HER MAJESTY, by and with the advice and consent of the Legislative Assembly of the Province of Ontario, enacts as follows:

1.	In this Act, (a) "Council" means the Ontario Economic Council; (b) "Minister" means the member of the Executive Council designated by the Lieutenant Governor in Council to administer this Act.	Interpretation
2.—(1)	The Ontario Economic Council is established, consisting of not more than twenty-one members appointed by the Lieutenant Governor in Council, of whom one shall be designated as chairman.	Establishment
(2)	The Council may contract and may sue and be sued in its own name, and the members thereof are not personally liable upon any contract made by the Council.	Power to contract and sue
3.—(1)	The chairman of the Council shall be appointed to hold office for a term of not more than five years.	Appointment, chairman
(2)	Each of the members of the Council shall be appointed to hold office for a term of not more than three years, except that of those first appointed not less than one-third shall be appointed for a term of one year and not less than one-third shall be appointed for a term of three years.	Members
(3)	A retiring chairman or other member of the Council is eligible for re-appointment to the Council in the same or another capacity.	Re-appointments
4.	It is the duty of the Council to advise and make recommendations to the Executive Council or any member thereof on methods for, (a) encouraging the maximum development of the human and material resources of Ontario; (b) supporting the advancement of all sectors of Ontario; and (c) fostering conditions for the realization of higher standards of living for the people of Ontario.	Duties of Council
5.	The Council may, (a) conduct socio-economic studies in any area considered by the Council to be of concern; (b) cause to be published such studies and reports as are prepared by or for the Council;	Further duties of Council

- (c) co-operate and maintain liaison with the Economic Council of Canada and bodies in other jurisdictions corresponding to the Council;
- (d) create an awareness and public understanding of provincial socio-economic issues by holding seminars and conferences;
- (e) create such committees as it considers desirable for the carrying out of its objectives; and
- (f) undertake such other duties as are assigned by the Lieutenant Governor in Council.

Salaries:
chairman

6.—(1) The chairman of the Council shall receive such remuneration as the Lieutenant Governor in Council determines.

deputy
chairman

(2) The Minister may designate a member of the Council to be the deputy chairman who shall act in the absence of the chairman and may be paid such *per diem* allowance as the Lieutenant Governor in Council determines.

members

(3) Members of the Council, other than the chairman and deputy chairman, shall serve without remuneration but all members shall receive their reasonable travelling and living expenses while absent from their ordinary place of residence in the course of their duties under this Act.

Remuneration
for additional
duties

(4) Notwithstanding subsection 3, a member of the Council, other than the chairman and deputy chairman, may for any period during which he performs, with the approval of the Council, any duties on behalf of the Council in addition to his ordinary duties as a member thereof, be paid such remuneration therefor as the Lieutenant Governor in Council determines.

Staff
1961-62,
c. 121

(5) Such officers and employees as are necessary for the proper conduct of the work of the Council may be appointed under *The Public Service Act, 1961-62*.

Meetings

7.—(1) The Council shall meet at least five times a year at the discretion of the chairman.

Quorum

(2) A majority of the members constitutes a quorum of the Council.

Expenses of
Council

8. The expenses of the Council in carrying out its objectives shall be paid out of the moneys appropriated therefor by the Legislature.

Commence-
ment

9. This Act comes into force on the day it receives Royal Assent.

Short title

10. This Act may be cited as *The Ontario Economic Council Act, 1968*.

PUBLICATIONS—1974

THE EVOLUTION OF POLICY IN CONTEMPORARY ONTARIO (Series)

The Economic Transformation of Ontario: 1945-1973, *D. R. Richmond*

The Protection and Use of Natural Resources in Ontario, *W. R. Smithies*

The Service State Emerges in Ontario, *Vernon Lang*

The Role and Place of Ontario in the Canadian Confederation, *Joe Martin*

Ontario 1945-1973: The Municipal Dynamic *Lionel D. Feldman*

WORKING PAPERS

1. Ontario Economic Council, *G. L. Reuber—October/74*
2. International Inflationary Linkages and the Recent Experience in Individual Countries, *J. C. Pattison—October/74*
3. Adjustment in Inflation, *J. C. Pattison—October/74*
4. Outlook '75 Canada and Ontario, *Cyril Hodgins—November/74*
5. A Responsible Economic Package, *Sidney L. Jones—November/74*
6. The Politics of Inflation, *J. J. Deutsch—November/74*

